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(1) Subject*: **Montana Leadership Development Assn. in Great Falls**

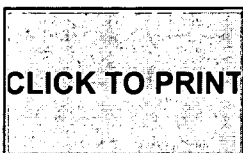
(select subject from controlled vocabulary, if your office has one)

(2) Subject* **A Time to Reassess**

DOCUMENT DATE*: **10/17/1980**

(Example: 01/12/1966)

* "required information"



BAUCUS

SPEECH BY
SENATOR MAX BAUCUS
BEFORE THE
MONTANA LEADERSHIP DEVELOPMENT ASSOCIATION
GREAT FALLS, MONTANA
OCTOBER 17, 1980

A TIME TO REASSESS

THANK YOU AND GOOD AFTERNOON.

I FEEL HONORED TO BE A KEYNOTE SPEAKER AT THIS SYMPOSIUM
ON TRANSPORTATION.

I HEARTILY COMMEND THE MONTANA LEADERSHIP DEVELOPMENT
ASSOCIATION FOR SPONSORING THIS SYMPOSIUM. IT IS STRIKINGLY
TIMELY AND APPROPRIATE -- FOR WE ARE AT A CRITICAL JUNCTION IN
TRANSPORTATION.

MONTANA IS AT THE CROSSROADS.

SPEAKING OF CROSSROADS REMINDS ME OF THE DEFINITION I HEARD
THE OTHER DAY OF A "SUCCESSFUL" FARMER. NOW, BY THIS DEFINITION,
THE "SUCCESSFUL" FARMER MAY NOT BE THE "BEST" FARMER. HE MAY NOT
EVEN BE A "GOOD" FARMER.

A "SUCCESSFUL" FARMER IS ONE WHO CAN EASILY HAUL HIS GRAIN TO A SUBTERMINAL ELEVATOR THAT IS WITHIN FIVE MILES OF A MAJOR BARGE FACILITY AND AT THE INTERSECTION OF A MAJOR INTERSTATE HIGHWAY AND A MAIN-LINE RAILROAD.

WELL, UNFORTUNATELY, THAT DEFINITION EXCLUDES ALL MONTANA FARMERS FROM BEING "SUCCESSFUL."

IT BRINGS HOME A HARSH REALITY. MONTANA FARMERS ARE THE BEST IN THE WORLD -- BUT THEY WILL NOT BE SUCCESSFUL UNLESS THEY HAVE REASONABLY PRICED, RELIABLE TRANSPORTATION.

THE CHALLENGE OF TRANSPORTATION

EVERY SO OFTEN, THE PROBLEMS WE FACE AND THE TIMES WE LIVE IN DEMAND AND REQUIRE THAT WE PAUSE TO REFLECT UPON WHERE WE HAVE BEEN, WHERE WE ARE, AND WHERE WE HAVE TO GO.

THIS IS MOST ASSUREDLY ONE OF THOSE TIMES.

WE ARE MOST ASSUREDLY AT A CROSSROADS IN TRANSPORTATION.

WE CAN CONTINUE DOWN THE ROAD WE ARE ON. WE CAN CONTINUE TO ABANDON RAIL LINES, SUFFER FREIGHT CAR SHORTAGES, PAY EVER HIGHER FREIGHT RATES, WATCH OUR AIRLINE SERVICE DISAPPEAR, AND LET ROADS AND BRIDGES FALL INTO DISREPAIR.

OR WE CAN MAKE A TURN. WE CAN DEDICATE OURSELVES AS MONTANA LEADERS TO BUILDING THE TRANSPORTATION SYSTEM THAT THIS STATE MUST HAVE FOR CONTINUED DEVELOPMENT. WE CAN DEDICATE OUR TIME, OUR CREATIVITY, OUR EXPERTISE AND -- YES -- OUR MONEY TO IMPROVING TRANSPORTATION.

IN REVIEWING WITH YOU TODAY -- WHERE WE HAVE BEEN -- WHERE WE ARE -- AND WHERE WE HAVE TO GO -- THE MESSAGE I WOULD LIKE TO SHARE WITH YOU IS A SIMPLE ONE.

THAT MESSAGE IS THAT WE MUST EXPAND OUR TRANSPORTATION HORIZONS.

IT IS NOT ENOUGH TO ISOLATE ONE PROBLEM IN OUR TRANSPORTATION NETWORK -- BE IT RAIL CAR SHORTAGES OR UTILIZATION, COMPETITIVE SERVICE, COMPLETION OF THE INTERSTATE, OR GOVERNMENT OVERREGULATION -- SOLVE IT, AND EXPECT OUR TRANSPORTATION WOES TO EVAPORATE.

WE MUST MOVE FORWARD TOGETHER -- IN A PARTNERSHIP -- TO REBUILD OUR TRANSPORTATION NETWORK, TO FIND NEW AND INNOVATIVE WAYS TO LINK OUR PRODUCTS WITH THE MARKETS.

AND IN THE PARTNERSHIP, THERE CAN BE NO SAINTS OR VILLAINS -- ONLY MONTANA COMMON SENSE SEPARATED FROM NONSENSE.

WHERE HAVE WE BEEN

WE HAVE FOUGHT SOME TOUGH TRANSPORTATION BATTLES OVER THE PAST SEVERAL YEARS.

THE RESULTS HAVE BEEN LESS THAN ENCOURAGING.

AMTRAK STILL RUNS THROUGH NORTHERN MONTANA, WHICH IS NICE FOR EASTERNERS WHO WANT TO SEE GLACIER NATIONAL PARK AND FOR DEER WHO WANT TO RIDE THE RAILS.

WITH AIRLINE DEREGULATION, MAJOR AIRLINE SERVICE TO NEARLY ALL OF THE STATE'S MAJOR CITIES HAS BEEN REDUCED.

ACCORDING TO THE WASHINGTON POST [OCTOBER 6, 1980] "HELENA MAY BE THE MOST ISOLATED CAPITAL IN THE CONTINENTAL UNITED STATES."

IT'S A SAD DAY WHEN A STATE CAPITAL'S ONLY TRANSPORTATION LINK IS THE INTERSTATE HIGHWAY WHICH ONLY WENT THROUGH HELENA BECAUSE THE LAW REQUIRED IT TO CONNECT STATE CAPITALS.

FOR THE PAST TWO YEARS, WE HAVE WORKED TOGETHER TO REVIVE THE MILWAUKEE RAILROAD.

THE MILWAUKEE ONLY CARRIED 15 PERCENT OF MONTANA'S BULK-FREIGHT TRAFFIC. BUT IT WAS AN IMPORTANT 15 PERCENT. IT WAS OUR ONLY RAIL COMPETITION.

ALTHOUGH WE LOST THE BATTLE OF THE MILWAUKEE, WE LEARNED SOMETHING IN THAT DEFEAT.

WE LEARNED THAT WE HAVE TO ACT -- NOT REACT.

THE MILWAUKEE WAS IN TROUBLE FOR YEARS. WE COULD HAVE BEEN PREPARING FOR ITS EVENTUAL BANKRUPTCY.

BUT WHEN THE MILWAUKEE ANNOUNCED THAT IT WOULD DISCONTINUE SERVICE IN 1977, MONTANA DIDN'T EVEN HAVE A RAIL PLAN. AT THE STATE LEVEL, THE RESPONSIBILITY FELL ON AN OBSCURE AND UNDERFUNDED TRANSPORTATION UNIT IN THE DEPARTMENT OF AGRICULTURE.

WE'VE BECOME MORE AWARE OF THE CRITICAL IMPORTANCE OF TRANSPORTATION IN MONTANA -- AND TO THE NATION -- NOT JUST IN GETTING THE HARVEST TO THE ELEVATORS, BUT IN GETTING IT BEYOND -- TO THE PORTS AND OCEAN-GOING VESSELS.

WHERE WE ARE

TODAY, WE ARE AT THE END OF ONE ERA -- AN ERA OF SEEMINGLY ABUNDANT AND INEXPENSIVE ENERGY -- AND ON THE THRESHOLD OF ANOTHER -- THE ERA WHEN AMERICA MUST REVITALIZE ITS INDUSTRIAL CAPACITY. THIS TASK CAN ONLY BE ACCOMPLISHED BY ALSO REBUILDING AND REVITALIZING OUR TRANSPORTATION NETWORK.

THE POLITICAL BUZZWORD OF 1980 IS "REINDUSTRIALIZATION."

BUT IT IS MORE THAN A BUZZWORD -- IT IS A MUST WORD.

IN 1950, WE PRODUCED 75 PERCENT OF THE WORLD'S AUTOMOBILES -- TODAY, LESS THAN 30 PERCENT. IN 1950, WE PRODUCED 50 PERCENT OF THE WORLD'S ALUMINUM -- TODAY, ONLY HALF -- 25 PERCENT.

IN THE SAME PERIOD, AMERICA'S SHARE OF THE WORLD EXPORT MARKET DECLINED FROM 25 PERCENT TO 16 PERCENT.

NEARLY EVERYWHERE WE LOOK, WE SEE THE EFFECTS OF OBSOLESCENCE AND DEFERRED MAINTENANCE ON AMERICAN PRODUCTIVE CAPACITY.

AND IT IS NO COINCIDENCE THAT OUR DETERIORATING PLANT CAPACITY IS EQUALLED BY DETERIORATION IN OUR RAILROADS AND RAIL BEDS AND HIGHWAYS.

OUR ABILITY TO PRODUCE WILL BE NO BETTER THAN OUR ABILITY TO CONNECT ONE REGION OF THE COUNTRY WITH ANOTHER AND TO TRANSPORT COMMODITIES TO MARKET.

CAPITAL NEEDS FOR TRANSPORTATION

IT IS NO COINCIDENCE, EITHER, THAT CAPITAL NEEDS IN TRANSPORTATION IN THE NEXT DECADE EQUAL OR SURPASS CAPITAL NEEDS FOR REINDUSTRIALIZATION.

THE FIGURES ARE STAGGERING.

THE U.S. DEPARTMENT OF TRANSPORTATION ESTIMATES THAT IN THE 1980s -- FOR TRANSPORTATION ALONE -- THE FEDERAL GOVERNMENT MUST SPEND \$235 BILLION, THAT STATE AND LOCAL GOVERNMENTS MUST SPEND \$350 BILLION, AND THAT THE PRIVATE SECTOR MUST SPEND \$1.5 TRILLION -- A TOTAL OF \$2.065 TRILLION.

FOR RAILROADS ALONE, GOVERNMENT AND INDUSTRY SOURCES ESTIMATE CAPITAL REQUIREMENTS AT \$16 BILLION THROUGH 1985!

TO REBUILD AND MAINTAIN OUR HIGHWAYS -- ON ONLY THE 860,000 MILE FEDERAL-AID-TO-HIGHWAY SYSTEM -- WILL REQUIRE UPWARDS OF \$300 BILLION ACCORDING TO THE GOVERNMENT ACCOUNTING OFFICE!

OUR CAPITAL NEEDS ARE GREAT.

BUT IF WE FAIL TO REBUILD OUR TRANSPORTATION SYSTEM, AGRICULTURE WILL SUFFER THE SAME FATE OUR OTHER INDUSTRIES HAVE.

TRANSPORTATION AND AGRICULTURE

THE ONE BRIGHT SPOT IN OUR NATIONAL ECONOMIC PICTURE IS FARM EXPORTS. IN 1950, THE UNITED STATES EXPORTED 12 MILLION TONS OF GRAIN. LAST YEAR, WE EXPORTED OVER 130 MILLION TONS -- A NEARLY 12 FOLD INCREASE.

OUR FARM EXPORTS ARE THE ONLY POSITIVE ASPECT OF OUR INTERNATIONAL BALANCE OF PAYMENTS. LAST YEAR, FARM EXPORTS CONTRIBUTED \$38 BILLION. AND EXPERTS AGREE THAT THE DEMAND FOR FOOD EXPORTS WILL CONTINUE TO BOOM AS WORLD POPULATION INCREASES AND AS LIVING STANDARDS RISE IN DEVELOPED COUNTRIES.

TO IGNORE OUR RURAL TRANSPORTATION NEEDS WOULD BE TO SACRIFICE AGRICULTURE. IT WOULD CREATE DISINCENTIVES TO AGRICULTURAL PRODUCTION AND INVITE ECONOMIC DISASTER FOR OUR NATION, AND ESPECIALLY FOR MONTANA.

AND THAT IS THE MESSAGE I AM CONTINUOUSLY IMPARTING TO MY COLLEAGUES IN THE UNITED STATES SENATE AND TO OFFICIALS IN THE ADMINISTRATION.

IN THAT REGARD -- AND IN PART AS THE RESULT OF A TRANSPORTATION CONFERENCE WE SPONSORED LAST WINTER IN BOZEMAN -- I HAVE INTRODUCED A MODEST -- BUT I THINK, IMPORTANT -- PIECE OF LEGISLATION.

THAT LEGISLATION WOULD GRANT STATUTORY AUTHORITY TO THE OFFICE OF TRANSPORTATION IN THE UNITED STATES DEPARTMENT OF AGRICULTURE. IT WOULD GIVE THAT OFFICE A FOOTING EQUAL TO THAT OF THE DEPARTMENT OF TRANSPORTATION IN DEALING WITH RURAL TRANSPORTATION PROBLEMS AND NEEDS. IT WOULD INSURE, SO FAR AS POSSIBLE, THAT RURAL TRANSPORTATION NEEDS ARE LISTENED TO, ARE ADDRESSED, AND ARE DEALT WITH AT THE HIGHEST LEVELS OF THE FEDERAL GOVERNMENT.

OUTSIDE OF USDA, THERE APPEARS TO BE LITTLE UNDERSTANDING -- ESPECIALLY AMONG OFFICIALS AT DOT AND THE ICC -- OF THE IMPORTANCE OF THE EFFICIENT MOVEMENT OF GRAIN TO THE NATIONAL ECONOMY.

RAIL DEREGULATION

I'VE BEEN ASKED TO DISCUSS RAIL DEREGULATION AND I WILL DO SO BRIEFLY. IT IS A PART OF WHERE WE ARE AND ALSO A PART OF WHERE WE ARE GOING.

THE STAGGERS RAIL BILL OF 1980 PASSED CONGRESS ON OCTOBER 1.

IT CONTAINS A CONFUSING MORASS OF CONCESSIONS AND COUNTER-CONCESSIONS, OF JOINT RATES ALLOWED AND DISALLOWED, OF SURCHARGES AND CANCELLATIONS -- THE END RESULT OF WHICH ONLY BEGINS TO APPROACH THE OBJECTIVE OF REMOVING REGULATORY RESTRICTIONS WHILE AFFORDING PROTECTIONS TO THOSE CONFRONTED BY MONOPOLISTIC FORCES.

IT IS, IN SHORT, A MIXTURE OF GOOD NEWS AND BAD NEWS FOR SHIPPERS AND CARRIERS.

IN ITS BASIC OUTLINES, THE BILL'S RATE FLEXIBILITY PROVISIONS ALLOW MOST RAILROADS TO RAISE FREIGHT RATES UP TO 160 PERCENT OF THEIR VARIABLE, OR OUT-OF-POCKET, EXPENSES THE FIRST YEAR WITHOUT ICC REVIEW.

BUT THE ICC IS ALSO DIRECTED TO DETERMINE WHETHER RATES ARE REASONABLE WHEN A RAILROAD HAS "MARKET DOMINANCE" OR WHEN THE RATES EXCEED 160 PERCENT OF THE RAILROAD'S VARIABLE COSTS. IN THE SECOND YEAR, THAT RATE THRESHOLD WOULD GO TO 165 PERCENT, AND IN THE FOURTH YEAR TO 175 PERCENT.

SINCE MONTANA RAIL FREIGHT RATES NOW RUN CONSIDERABLY HIGHER THAN THESE THRESHOLDS, THAT IS RELATIVELY GOOD NEWS FOR MONTANA SHIPPERS.

HOWEVER, THE BILL ALSO ALLOWS RAILROADS TO RAISE RATES BY AN ADDITIONAL PERCENTAGE TO OFFSET INFLATION, PLUS ANOTHER 6 PERCENT PER YEAR FOR THE NEXT FOUR YEARS.

THE RAIL DEREGULATION BILL IS OBVIOUSLY NO PANACEA. IT IS MORE "RE-REGULATION" THAN DEREGULATION. IT IS, AS REINHOLD NIEBUHR SAID OF DEMOCRATICALLY-CRAFTED SOLUTIONS GENERALLY, "AN APPROXIMATE SOLUTION TO AN INSOLUABLE PROBLEM."

THE RAIL DEREGULATION BILL BEGAN AS A MEASURE DESIGNED TO ASSIST THE RAILROAD INDUSTRY IN BECOMING MORE COMPETITIVE.

SINCE 1925, THE RAILROADS SHARE OF THE FREIGHT TRAFFIC HAS FALLEN FROM A HIGH OF 80 PERCENT TO 35 PERCENT TODAY. AGGREGATE RAILROAD RETURN ON INVESTMENT AVERAGED LESS THAN 2 PERCENT IN 1979 -- FAR BELOW MOTOR CARRIERS AT 24 PERCENT, WATER CARRIERS AT 17 PERCENT, AND SUBSTANTIALLY BELOW THE 10.2 PERCENT RATE THE ICC CONSIDERS NECESSARY TO ATTRACT AND RETAIN NEEDED CAPITAL.

NO ONE CAN ARGUE, I'M SURE, WITH OUR NEED TO REBUILD AND REVITALIZE OUR RAILROAD INDUSTRY. RAILROADS HAUL 60 PERCENT OF OUR NATION'S GRAIN AND 70 PERCENT OF ITS COAL.

BUT TO WHAT EXTENT THE RAIL DEREGULATION BILL WILL SUCCEED IN ITS OBJECTIVES IS HIGHLY UNCERTAIN.

SECRETARY OF AGRICULTURE BOB BERGLAND RECENTLY CALLED FOR THE NATIONALIZATION OF THE NATION'S RAILBEDS. HE FEARS THAT AGRICULTURE WILL BE THE SACRIFICIAL LAMB OF A DEREGULATED ENVIRONMENT THAT IS COUPLED WITH THE HEADLONG RUSH OF THE STRONGEST AND RICHEST RAILROADS TO MERGE.

EVEN INDUSTRY OFFICIALS ARE SKEPTICAL. ACCORDING TO A VICE-PRESIDENT WITH THE UNION PACIFIC, THE "SHOTGUN" MERGERS AMONG RAILROADS AND THE DEREGULATED ENVIRONMENT "MEAN A NEW ERA FOR THE RAILROAD INDUSTRY." IF THEY RAIL, "THE INDUSTRY WILL PROBABLY BE NATIONALIZED." EITHER WAY, HE CONCLUDED, "IT WILL NEVER BE THE SAME" AGAIN.

A LESSON, I THINK, IS OBVIOUS, AND WE CANNOT BE OBLIVIOUS TO IT.

MUCH MORE THAN RAIL DEREGULATION IS NECESSARY TO REBUILD OUR RAILROADS, WHILE PROVIDING FOR EFFICIENT TRANSPORTATION AT REASONABLE COSTS.

RAILROAD MANAGERS WILL HAVE TO MANAGE THEIR RESOURCES MOST EFFECTIVELY.

RAIL SHIPPERS WILL HAVE TO BE INNOVATIVE IN THEIR APPROACH TO TRANSPORTATION ISSUES.

WHERE WE HAVE TO GO

AS I GAZE INTO MY CRYSTAL BALL, I SEE A LARGE BLACK CLOUD HANGING OVER MONTANA. AND THAT CLOUD IS MARKED, IN BIG RED LETTERS, TRANSPORTATION.

MONTANA'S ECONOMIC HEALTH RESTS UPON OUR ABUNDANT NATURAL AND RENEWABLE RESOURCES -- GAS, OIL, COAL, TIMBER, AND AGRICULTURE.

THESE RESOURCES ARE ONLY VALUABLE IF THEY CAN BE MOVED TO MARKETS IN COST-EFFECTIVE AND TIMELY WAYS. THERE WILL BE INCREASING DEMANDS FOR THESE RESOURCES IN THE 1980s.

BUT, IF WE ARE TO PROSPER AS A STATE, WE MUST RESOLVE THE UNCERTAINTIES OF OUR TRANSPORTATION SYSTEM.

WE NEED TO REASSESS OUR TRANSPORTATION OBJECTIVES. WE WILL HAVE TO CONFRONT A CENTRAL -- BUT SELDOM ASKED AND RARELY ANSWERED -- QUESTION: WHAT DO WE WANT OUR TRANSPORTATION SYSTEM TO DO?

IS IT TO PROVIDE SERVICE? IS IT TO BE PROFITABLE? IS IT SOMETHING ELSE?

THE TRANSPORTATION CHALLENGE FOR THE 1980s IS TREMENDOUS. MONTANA'S CAPITAL REQUIREMENTS JUST TO UPGRADE AND MAINTAIN OUR HIGHWAYS ARE UPWARDS OF \$900 MILLION.

IT'S GOING TO BE TOUGH TO FIND THIS MONEY AT A TIME WHEN HIGHWAY REVENUES ARE DECLINING AND VOTERS ARE DEMANDING CUT BACKS IN GOVERNMENT SPENDING.

WE ARE GOING TO HAVE TO FIND MORE EFFICIENT WAYS TO TRANSPORT GRAIN. WE ARE GOING TO HAVE TO LOOK AT UNIT TRAINS, SUBTERMINAL ELEVATORS, AN IMPROVED BARGE SYSTEM ON THE COLUMBIA, AND BETTER PORT FACILITIES.

WE NEED TO FIND WAYS TO ATTRACT AIR CARRIERS TO OUR SMALLER COMMUNITIES.

UNFORTUNATELY, I CAN'T STAND UP HERE THIS AFTERNOON AND OFFER ALL THE ANSWERS. BUT I CAN OFFER MY FULL ASSISTANCE.

SINCE I WAS SENT TO CONGRESS, TRANSPORTATION HAS BEEN ONE OF MY MAJOR PRIORITIES. IT WILL CONTINUE TO BE A MAJOR PRIORITY.

WE MUST CONTINUE TO WORK TOGETHER TO IMPROVE TRANSPORTATION. MONTANA'S FUTURE DEPENDS ON IT.

THANK YOU.